

**MBA Community Loans plc**

**Directors' Report and Financial Statements**

**For the year ending  
30 June 2012**

**Registered No. 486917**

## MBA Community Loans plc

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**MBA Community Loans plc**

**DIRECTORS AND OTHER INFORMATION**

<b>Company Number</b>	486917
<b>Directors</b>	Ralph MacDarby (Resigned 28th February 2012) Orlagh Doherty (Resigned 10th October 2011) (Reappointed 2nd March 2012) Joanne McEnteggart (Appointed 7th October 2011) (Resigned 2nd March 2012) Roddy Stafford (Appointed 28th February 2012) Lisa Hand (appointed alternate director 31 October 2012. resigned 31 October 2012)
<b>Secretary</b>	Capita Trust Company (Ireland) Limited (Resigned 2nd March 2012) AIB International Centre I.F.S.C Dublin 1 Ireland  Capita International Financial Services (Ireland) Limited (appointed 2nd March 2012) AIB International Centre I.F.S.C Dublin 1 Ireland
<b>Registered Office</b>	AIB International Centre I.F.S.C Dublin 1 Ireland
<b>Independent Auditor</b>	KPMG 1, Harbourmaster Place IFSC Dublin 1 Ireland
<b>Bank</b>	HSBC Bank Plc City of London Commercial Centre 28 Borough High Street London SE1 1YB England  Barclays Bank Plc PO Box 299 Birmingham B1 3PF England
<b>Trustee</b>	Capita Trust Company Limited 4th Floor 40 Dukes Place London EC3A 7NH England
<b>Loan Servicer Manager, Transfer Agent and Calculation Agent</b>	Prodigy Finance Limited Palladium House 1-4 Argyll Street London W1F 7LD England
<b>Legal Advisors</b>	L.K Shields Solicitors 39/40 Upper Mount Street Dublin 2 Ireland
<b>Listing Agent</b>	NCB Stockbrokers 3 Georges Quay IFSC Dublin 1 Ireland

**MBA Community Loans plc**

**DIRECTORS' REPORT**  
**Year ending 30 June 2012**

The Directors present their financial statements of MBA Community Loans plc ("the Company") for the year ending 30 June 2012.

**PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS**

The principal activity of the Company is to invest in student loan assets, the acquisition of which, is funded by the issue of notes to investors. These notes are issued in separate series. The Company does not undertake any business other than the acquisition, holding, financing, selling, hedging and granting of security over its assets. As at 30 June 2012, MBA Community Loans plc had issued notes to the value of €16.5 million.

The principal risks for the Company are dealt with in note 16 to the accounts.

**RESULTS AND DIVIDENDS**

The Company made a profit after taxation for the year ending 30 June 2012 of €750 (2011: €989).

No dividend has been proposed by the Directors for the year ending 30 June 2012 (2011: Nil).

**DIRECTORS' AND SECRETARY'S INTERESTS**

The Directors and Secretary who held office on 30 June 2012 did not hold shares in the Company at that date or during the year. One Director of the Company, the corporate secretary, the corporate service provider and the security trustee are either employed by or are provided by companies whose ultimate parent is the Capita Group plc, a company listed on the London Stock Exchange. These operating companies provide directors, company administration, trustee and secretarial services to the Company, at normal commercial rates.

The Directors of the Company who served during the year were as follows:

Ralph MacDarby (Resigned 28th February 2012)  
Orlagh Doherty (Resigned 10th October 2011) (Reappointed 2nd March 2012)  
Joanne McEnteggart (Appointed 7th October 2011) (Resigned 2nd March 2012)  
Roddy Stafford (Appointed 28th February 2012)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**MBA Community Loans plc**

**DIRECTORS' REPORT (continued)  
for the Year ending 30 June 2012**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)**

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2012.

They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2012.

**BOOKS OF ACCOUNT**

The Directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to the keeping of proper books of account by employing a service provider with the appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at AIB International Centre, I.F.S.C, Dublin 1, Ireland

**POST BALANCE SHEET EVENTS**

Since the balance sheet date, there have been further investments in student loan assets funded by the issue of notes to the value of €5.5 million. There have been no additional post balance sheet events that require disclosure in the financial statements.

**POLITICAL DONATIONS**

The Company made no political donations during the year ending 30th June 2012 (2011: Nil).

**INDEPENDENT AUDITOR**

In accordance with Section 160(2) of the Companies Act, 1963, the auditors KPMG, Chartered Accountants will continue in office.

Approved by the Board of Directors and signed on behalf of the Board



**Roddy Stafford**  
Director



**Lisa Hand**  
Acting as Alternate for Orlagh Doherty

Date: 31/06/2012

## MBA Community Loans Plc

### Management Report and Responsibility Statement - for the year ending 30 June 2012

#### Business review

During the year ending 30 June 2012, the Company purchased additional portfolios of student loan assets. The acquisition of these assets was funded by the issue of notes to investors. These notes were issued in five additional series. The Company has not undertaken any business other than the acquisition, holding, financing, selling, hedging and granting of security over its assets. As at 30 June 2012, MBA Community Loans Plc had issued notes to the value of €16.5 million.

The profit after taxation of the Company for the year ending 30 June 2012 was €750 (2011: €989) The net asset value of the Company as at 30 June 2012 was €41,739 (2011: €40,989).

The Company's existing loan tranches are holding up well despite the tightening of the general economy which may have put pressure on the borrowers ability to repay the loans. However, no major impact has been seen by the Company on it's existing portofflio.

The Directors believe that the Company is viable and will continue to operate as a going concern.

#### Principal risks and uncertainties

The underlying business of the Company, being the purchase of student loan assets and the issuance of notes to investors, is expected to continue in an orderly, consistent manner over the coming year. The principal risk exposures for the Company relate to default by the borrowers, credit risk in dealings with counterparties and interest rate movements. The loan platform has been designed and developed to minimise the risk of arrears and default rates for MBA and EMBA loans to international students and a risk management framework is in place in order to manage and mitigate remaining risks.

#### Major related parties' transactions

One Director of the Company, the corporate secretary, the corporate service provider and the security trustee are either employed by or are provided by companies whose ultimate parent is the Capita Group plc, a company listed on the London Stock Exchange. These operating companies provide directors, company administration, trustee and secretarial services to the Company, at normal commercial rates.

The Loan Servicer, Prodigy Finance Limited provides loan servicing, transfer agent and collection agent services to the Company. Management fees charged by Prodigy Finance Limited totalled €250,344 in the year ending 30 June 2012 (2011: €196,138). Administration fees - origination fees charged by Prodigy Finance Limited totalled €93,440 in the year ending 30 June 2012 (2011: €85,271).

#### Responsibility Statement

To the best of our knowledge, the Financial Statements have been prepared in accordance with with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland, give a true and fair view of the profit and assets, liabilities and financial position of the issuer and that the management report includes a fair review of the development and performance of the business and position of the issuer, together with a statement of the principle risks and uncertainties that the Company faces.

Signed:



**Roddy Stafford**  
Director

Date: 21.11.12 2012



**Lisa Hand**  
Acting as Alternate for Orlagh Doherty



**KPMG**  
**Chartered Accountants**  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MBA COMMUNITY LOANS PLC**

We have audited the financial statements of MBA Community Loans plc for the year ended 30 June 2012 which comprise the Profit and Loss Account, Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The Statement of Directors' Responsibilities on page 2 sets out the directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2012. We also report to you, in our opinion whether proper books of account have been kept by the company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the company's financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.



We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2012.

### *Other matters*

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 8 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 June 2012 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

  
Frank Gannon

for and on behalf of

**KPMG**

**Chartered Accountants, Statutory Audit Firm**

**1 Harbourmaster Place**

**IFSC**

**Dublin 1**

31/10/12

MBA Community Loans plc

Profit and Loss Account  
For the year ending 30 June 2012

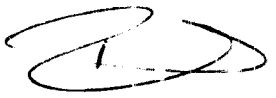
	Note	For the year ended 30 June 2012 €	For the period ended 30 June 2011 €
Income from loans and receivables	3	1,086,233	520,299
Finance expense on debt securities issued	4	<u>(712,110)</u>	<u>(324,558)</u>
Net interest income		374,123	195,741
Other income	5	1,000	1,000
Administrative expenses	6	<u>(374,123)</u>	<u>(195,422)</u>
Profit on ordinary activities before taxation		<u>1,000</u>	<u>1,319</u>
Tax on profit on ordinary activities	7	<u>(250)</u>	<u>(330)</u>
Profit for the financial year/period		<u><u>750</u></u>	<u><u>989</u></u>

The Company had no recognised gains or losses for the current period, other than those shown above.

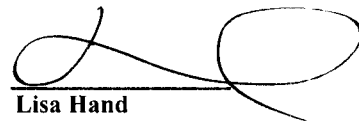
All items dealt with in arriving at the profit for the year ending 30 June 2012 are related to continuing operations.

The notes on pages 10 to 20 form part of these financial statements.

The financial statements were approved by the Board of Directors and signed on its behalf by:



Roddy Stafford  
Director



Lisa Hand  
Acting as Alternate for Orlagh Doherty


Date: 30/06/2012


**MBA Community Loans plc**  
**Balance Sheet**  
**As at 30 June 2012**

	Note	30 June 2012 €	30 June 2011 €
<b>Financial fixed assets</b>			
Loans and receivables	9	<u>14,503,749</u>	<u>9,729,208</u>
<b>Current assets</b>			
Debtors	10	988,454	522,385
Cash at bank and in hand	11	<u>2,219,315</u>	<u>446,785</u>
<b>Total Assets</b>		<u>17,711,518</u>	<u>10,698,378</u>
<b>Creditors : amounts falling due within one year</b>			
	12	<u>(1,117,081)</u>	<u>(420,181)</u>
		(1,117,081)	(420,181)
<b>Total assets less current liabilities</b>		16,594,437	10,278,197
<b>Debt securities issued</b>			
	13	(16,552,698)	(10,237,208)
<b>Net Assets</b>		<u><u>41,739</u></u>	<u><u>40,989</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	40,000	40,000
Retained earnings	15	1,739	989
<b>Equity Shareholder funds</b>	16	<u><u>41,739</u></u>	<u><u>40,989</u></u>

The notes on pages 10 to 20 form part of these financial statements.

The financial statements were approved by the board of Directors and signed on its behalf by:

  
 \_\_\_\_\_  
**Roddy Stafford**  
**Director**

  
 \_\_\_\_\_  
**Lisa Hand**  
**Acting as Alternate for Orlagh Doherty**

Date: 30/6/2012

**MBA Community Loans plc**

**Cash Flow Statement  
For the year ending 30 June 2012**

	Note	30 June 2012 €	30 June 2011 €
<b>Net cash inflow/(outflow) from operating activities</b>	8	231,581	(101,215)
<b>Cash flow from investing activities</b>			
Purchase of loans and receivables	9	(7,134,174)	(4,645,872)
Principal and interest payments received from loans and receivables		2,359,633	602,455
<b>Cash flow from financing activities</b>			
Issuance of debt securities		7,597,884	4,682,582
Principal repayments on debt securities		(1,282,393)	(131,165)
Issue of share capital		-	40,000
<b>Increase in cash at bank and in hand during the year</b>		<u>1,772,531</u>	<u>446,785</u>
<b>Cash at bank and in hand at the start of the year</b>		446,785	-
<b>Cash at bank and in hand at the end of the year</b>		<u>2,219,316</u>	<u>446,785</u>
 <b>Reconciliation of net cash inflow to movement in net debt for the year ending 30 June 2012</b>			
Increase in cash at bank and in hand during the year		1,772,530	446,785
Increase in total debt		(6,315,490)	(10,237,208)
Increase in net debt		(4,542,960)	(9,790,423)
Net debt at the beginning of the year		(9,790,423)	-
Net debt at the end of the year		<u>(14,333,382)</u>	<u>(9,790,423)</u>

The notes on pages 10 to 20 form part of these financial statements.

## MBA Community Loans plc

### Notes to the annual Financial Statements

For the year ending 30 June 2012

#### 1 Accounting policies

##### (a) *Basis of preparation*

###### *(i) Statement of compliance*

The financial statements are prepared in accordance with generally accepted accounting principles in Ireland, Irish Statute comprising the companies Acts 1963 to 2012 and comply with financial reporting standards of the Accounting Standards Board as promulgated by the Institute of Chartered Accountants In Ireland.

Due to the nature of the Company's business and the type of transactions the Company is engaged in, the Directors have adapted the profit and loss account to suit the circumstances of the business in accordance with Section 4(13) of the Companies (Amendment) Act, 1986. The format and certain wording of the financial statements have been adapted from those contained in the Companies (Amendment) Act 1986 and FRS 3 "Reporting Financial Performance" so that, in the opinion of the Directors, they more appropriately reflect the nature of the Company's business. In the opinion of the Directors, the financial statements with the noted changes provide the information required by the Companies Acts, 1963 to 2012.

MBA Community Loans Plc is required, under the 'EU Transparency Directive' to produce Interim management statements, half-yearly reports and annual financial reports which are due four months from year-end date.

The financial statements are expressed in Euro (€) and have been prepared on a going concern basis.

##### (b) *Basis of measurement*

The financial statements have been prepared on an historical cost basis.

##### (c) *Functional and presentation currency*

These financial statements are presented in Euro which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The issued share capital of the Company is denominated in Euro and the Directors of the Company believe that Euro most faithfully represents the economic effects of the underlying transactions, events and conditions.

##### (d) *Foreign currency transaction*

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss account and are included under net gain/(losses) from loans and receivables and debt securities issued.

##### (e) *Use of estimates and judgements*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

##### (f) *Interest Income*

Bank interest and income from loans and receivables are accounted for on an effective yield basis.

##### (g) *Finance expense on debt securities issued*

Finance expense derives from the interest due on the debt securities and is recognised as it is accrued using the effective interest method.

## MBA Community Loans plc

### Notes to the annual Financial Statements

For the year ending 30 June 2012

#### 1 Accounting policies (continued)

(h) *Other income and expense recognition*

All operating income and expenses are accounted for on an accruals basis.

(i) *Taxation*

Corporation tax is provided on taxable profits at the current rate. Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur.

(j) *Cash at bank and on hand*

Cash at bank and in hand include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value, and are used by the Company for the management of its short term commitments.

(k) *Financial instruments*

(i) **Recognition**

The Company initially recognises all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instruments. A financial asset or liability is measured initially at fair value plus, for an item not at fair value through the profit and loss, transaction costs that are directly attributable to its acquisition or issuance.

Financial assets and liabilities not categorised as at fair value through the profit or loss are subsequently measured at amortised cost.

(ii) **Classification**

The Company has classified financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost - loans and receivables
- Financial liabilities at amortised cost - debt securities in issue

(iii) **Amortised cost**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, minus any reduction (directly or through the use of an allowance account) for the impairment or uncollectability.

(iv) **Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

**MBA Community Loans plc**

**Notes to the annual Financial Statements**

**For the year ending 30 June 2012**

**1 Accounting policies (continued)**

(k) *Financial instruments (continued)*

(v) **Impairment**

Financial assets that are stated at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indications exist, an impairment loss is recognised in the profit and loss account as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective rate.

If, in subsequent periods, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event after the write-down, the write down is reversed through the profit and loss account.

(vi) **Offsetting**

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(l) **Going Concern**

The financial statements have been prepared on a going concern basis because the Directors consider, in the circumstances of the arrangement established when the Company was formed and the limited nature of its activities, that this a fair basis for presenting the results of the accounting period and the state of the affairs at the end of the period.

(m) **Segmental reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses. The Company has been established to issue debt securities, the proceeds of which have been applied to acquire loans. Accordingly the Directors believe that the Company operates in only one distinct class of business and has only one reportable class of business operating segment. On this basis, no further segmental reporting analysis has been provided.

**2 Directors and employees**

The Directors received no remuneration in respect of the year under review (2011: Nil). There were no employees during the year (2011: Nil).

MBA Community Loans plc

Notes to the annual Financial Statements

For the year ending 30 June 2012

3 Income from loans and receivables

	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Interest on loans and receivables	1,086,153	517,946
Bank interest received	80	2,353
	<u>1,086,233</u>	<u>520,299</u>

4 Finance expense on debt securities issued

	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Interest on debt securities issued	712,110	324,558
	<u>712,110</u>	<u>324,558</u>

5 Other Income

	Year ended 30 June 2012	Period ended 30 June 2011
Profit fee	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

6 Administrative expenses

	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Reimbursement of origination & other fees to/by Loan Servicer	1,628	(98,795)
Foreign Exchange (loss)/gain	315	(1,026)
Administration fees - origination fee .75%	93,440	85,271
Management fees - annual fee 2%	250,344	196,138
Other expenses	28,396	13,834
	<u>374,123</u>	<u>195,422</u>

Included in other expenses:

SI 220 requirements for the Year ended 30 June are as follows:

	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Statutory Audit	13,500	13,500
Tax advisory services	4,000	-
Total	<u>17,500</u>	<u>13,500</u>

MBA Community Loans plc

Notes to the annual Financial Statements

For the year ending 30 June 2012

7 Tax on profit on ordinary activities

Corporation tax has been calculated based on the results for the year and the resulting taxation charge is as follows :

	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Profit on ordinary activities before tax	1,000	1,319
Corporation tax at 25%	250	330
Effect of :		
Unutilised tax losses arising during the period	-	-
Current tax charge	<u>250</u>	<u>330</u>

8 Reconciliation of profit on ordinary activities to net cash inflow from operating activities

	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Profit on ordinary activities	750	989
Increase in debtors, including interest	(466,069)	(522,385)
Increase in creditors, including interest	696,900	420,181
<b>Net cash inflow/(outflow) from operating activities</b>	<u><b>231,581</b></u>	<u><b>(101,215)</b></u>

9 Loans and receivables

During the year, the Company purchased €7.1m of loan assets. The purchase price in respect of these loans was settled by the issue of debt securities. These assets consist of portfolios of student loans. Please refer to Note 13.

	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Balance at beginning of period	9,729,208	-
Loans purchased	7,134,174	10,331,663
Less principle repayments	(2,359,633)	(602,455)
Principal at end of period	<u><b>14,503,749</b></u>	<u><b>9,729,208</b></u>
<b>Maturity Analysis</b>	<b>€</b>	<b>€</b>
< 1 year		-
1 to 2 years	6,465	-
2 to 5 years	1,053,399	408,343
> 5 years	13,443,885	9,320,865
	<u><b>14,503,749</b></u>	<u><b>9,729,208</b></u>

The carrying amount of the loans approximates fair value.

10 Debtors

	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Due within one year:		
Interest income receivable	477,471	422,590
Receivables from loan servicer	510,982	99,795
	<u><b>988,454</b></u>	<u><b>522,385</b></u>

MBA Community Loans plc

Notes to the annual Financial Statements

For the year ending 30 June 2012

11 Cash at bank and on hand	Year ended 30 June 2012 €	Period ended 30 June 2011 €
HSBC Bank	2,179,315	406,785
Barclays Bank	40,000	40,000
	<u>2,219,315</u>	<u>446,785</u>

The Company's cash balances are held with HSBC Bank and Barclays Bank at their London and Coventry branches.

Each series of loans and notes in issue has a separate bank account, through which all transactions for the specific series are made. The share capital for the Company is held in the account with Barclays, which has restricted access.

12 Creditors - Amount falling due within one year	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Interest payable on debt securities issued	1,029,520	316,746
Management fees payable to loan servicer	49,416	99,830
Taxation payable	455	330
Other creditors - operating expenses payable	37,690	3,275
	<u>1,117,081</u>	<u>420,181</u>

13 Debt securities issued	Currency	Original Nominal €	Cumulative Repayments to date €	Year ended 30 June 2012 €	Period ended 30 June 2011 €
<b>Notes Issued</b>					
Series 1	<b>Eur</b>	4,243,830	(1,163,735)	3,080,095	4,112,665
Series 2	<b>Eur</b>	1,967,600	-	1,967,600	1,967,600
Series 3	<b>Eur</b>	3,494,590	-	3,494,590	3,494,595
Series 4	<b>Eur</b>	662,348	(118,658)	543,690	662,348
Series 5	<b>Eur</b>	208,287	-	208,287	-
Series 6	<b>Eur</b>	3,451,700	-	3,451,700	-
Series 7	<b>GBP</b>	602,436	-	602,436	-
Series 8	<b>Eur</b>	295,700	-	295,700	-
Series 9	<b>Eur</b>	2,908,600	-	2,908,600	-
		<u>17,835,091</u>	<u>(1,282,393)</u>	<u>16,552,698</u>	<u>10,237,208</u>

Each Series of Notes is backed by a diversified pool of loans to MBA and EMBA students. Interest payment will be referenced to three-month EURIBOR or three-month GBP LIBOR (for Series 7 notes). The noteholders are also affected by the grace period of 13 months extended to students: during this period no payment will be made by the issuer in respect of notes.

MBA Community Loans plc

Notes to the annual Financial Statements

For the year ending 30 June 2012

14 Share capital	Year ended 30 June 2012 €	Period ended 30 June 2011 €
<i>Authorised share capital</i>		
40,000 Ordinary shares of €1 each	40,000	40,000
<i>Allotted, called up and fully paid</i>		
40,000 Ordinary shares of €1 each	40,000	40,000

93% of the issued shares in the Company are owned by Capita Trust Nominees No.1 Limited (the Share Trustee), which is a company incorporated in England and Wales and the remaining shares are held by 7 nominee shareholders, who hold the shares on trust for the Share Trustee. The Share Trustee holds the benefit of the shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit other than its fees for acting as Share Trustee, from its holding of the shares.

15 Retained earnings	Year ended 30 June 2012 €	Period ended 30 June 2011 €
At the beginning of the year/period	989	-
Profit for the financial year/period	750	989
At end of the year/period	1,739	989

16 Reconciliation of movements in shareholders' fund	Year ended 30 June 2012 €	Period ended 30 June 2011 €
Shareholders' funds at the beginning of the year/period	40,989	-
Transactions with shareholders - shares issued at par	-	40,000
Profit for the financial year/period	750	989
Shareholders funds at the end of the year/period	41,739	40,989

17 Financial risk management

Introduction and overview

As at 30 June 2012, the Company issued notes to the value of €17,835,091 (2011:€ 10,368,368).

The underlying transaction of the Company was to acquire a portfolio of student loan in respect of students attending INSEAD, Vlerick, Skolkovo and LBS, originated by the loan servicer in accordance with eligibility criteria. Notes of each series will accrue interest from their interest commencement date. Interest is calculated by applying an IRR to the note coupon payment streams of principal and interest.

Each series of notes will be secured by the first ranking fixed security over: (i) The student loans backing the series; (ii) The issuer's security interest in borrowers' life policies; (iii) Any financial guarantee relating to the series and lastly (iv) The accounts established in respect of that series.

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**Notes to the annual Financial Statements**

**For the year ending 30 June 2012**

**17 Financial risk management (continued)**

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is exposed to a variety of financial risks as a result of its activities.

**(a) Default Risk**

Default risk refers to the risk that a loan counterparty will default on its contractual obligations resulting in financial loss to the Company. The ability of the issuer to meet its payment obligations under the notes will be affected by defaults in the underlying students loans. The loan platform has been designed and developed to minimise the risk of arrears and default rates for MBA and EMBA loans to international student.

The loan servicer, Prodigy Finance Limited, has developed comprehensive risk and background vetting procedures that are used to screen every applicant as well as a proprietary scorecard which assesses each applicant's expected ability (post-graduation) to repay the loan.

No loan payment is required during the study period and for approximately 6 months post-graduation which in total gives a grace period of 18 months. Equally important, the community nature of the platform and the sources of funding provide a significant degree of social pressure for borrowers to meet all their loan repayments.

**(b) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and securities prices will affect the Company's income or the value of its holding of financial instruments. Market risk includes interest rate risk and currency risk.

**(i) Currency risk**

The series 7 Loan and debt security is denominated in sterling. All other series loans and debt securities are denominated in euro. Therefore, the Company faces minimal foreign currency risk as at the 30 June 2012.

**(ii) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Interest rate risk exists where assets and liabilities have interest rates under a different basis or which reset at a different time.

The notes bear interest at a rate based on three-month EURIBOR and GBP LIBOR (Series 7) as determined on the relevant EURIBOR and GBP LIBOR Determination Date which is paid subject to available cashflows from the Student loans. The Company's assets also bear interest at a rate based on three-month EURIBOR and GBP LIBOR (Series 7).

	<b>30 June 2012</b>		<b>30 June 2011</b>	
	<b>Amount</b>	<b>Weighted Average Rate</b>	<b>Amount</b>	<b>Weighted Average Rate</b>
		<b>€</b>		<b>%</b>
Variable rate instruments				
Loans and receivables	14,503,749	7.62%	9,729,208	7.36%
Debt securities issued	16,552,698	4.46%	10,237,208	4.40%

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Notes to the annual Financial Statements

For the year ending 30 June 2012

17 Financial risk management (continued)

- (b) Market risk (continued)  
(ii) Interest rate risk (continued)

*Sensitivity Analysis*

The interest receivable on the loan's receivable's and the interest payable on the debt securities issued are 3 month EURIBOR plus a margin and GBP LIBOR plus a margin (Series 7) and as such the Company does not believe it is subject to any interest rate risk resulting from these arrangements and therefore no sensitivity analysis is provided.

*(c) Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company matches the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of investment performance against its obligations.

The notes are tradable and are listed on the Irish Stock Exchange but no established secondary market exists for the notes. However, the loan servicer will assist in finding potential buyers in the secondary market where possible. Also the amortizing nature of the notes and the fact that many borrowers repay early means that the majority of principal may be repaid long before final maturity.

The following are the contractual maturities of financial liabilities including interest payments :

2012:

	Carrying amount	Gross contractual cash flows	Less than one year	One to two years	Two to five years	More than five years
Debt securities issued	16,552,698	22,174,425	729,614	1,455,229	5,265,729	14,723,853
Creditors	1,117,081	1,117,081	1,117,081	-	-	-
	<b>17,669,778</b>	<b>23,291,505</b>	<b>1,846,694</b>	<b>1,455,229</b>	<b>5,265,729</b>	<b>14,723,853</b>

2011:

	Carrying amount	Gross contractual cash flows	Less than one year	One to two years	Two to five years	More than five years
Debt securities issued	10,237,208	13,581,104	444,370	888,741	1,333,111	10,914,882
Creditors	420,181	420,181	420,181	-	-	-
	<b>10,657,389</b>	<b>14,001,285</b>	<b>864,551</b>	<b>888,741</b>	<b>1,333,111</b>	<b>10,914,882</b>

The Company's obligation to the Noteholders of a particular series is limited to the net proceeds upon realisation of the asset backed debt securities of that series or it having any funds to make the repayment. Should the net proceeds be insufficient to make all payments, the other assets of the Company will not be available for payment and the deficit is instead borne by the noteholders according to the established priorities.

*(d) Credit Risk*

The credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from loans and receivables.

## MBA Community Loans plc

### Notes to the annual Financial Statements

For the year ending 30 June 2012

#### 17 Financial risk management (continued)

The Company limits its exposure to credit risk by investing only with counterparties that have a credit rating defined in the documentation of the relevant series. The risk of default on these assets is borne either by the financial guarantor (for those securities with the benefit of a financial guarantee and Indemnity, (in the event of a concurrent default by the financial guarantor) and/or by the holders of the debt securities of the relevant series, as applicable.

The policy of the Company in relation to credit risk is to expose itself to the credit risk in relation to the financial assets only. The Directors consider the risk to be of an acceptable nature.

The loan servicer, Prodigy Finance Limited, has developed comprehensive risk and background vetting procedures that are used to screen every applicant as well as a proprietary scorecard which assesses each applicant's expected ability (post-graduation) to repay the loan.

The loan servicer carries out ongoing monitoring of the loans with regard to repayment frequency and tracking of loans in default. The loan servicer also leverages the school community network in order to ensure that borrowers are motivated to repay and contribute back to future students.

The Company's financial assets exposed to credit risk amounted to the following:

	Year ended 30 June 2012	Period ended 30 June 2011
	€	€
Loans and receivables	14,503,749	9,729,208
Cash at bank and in hand	2,219,315	446,785
Debtors	988,454	522,385
	<u>17,711,518</u>	<u>10,698,378</u>

There were no student loan balances due over 91 days as at 30 June 2012. All student loans are paid up to date post year end, therefore there is no exposure to default risk.

Prodigy Finance Limited, will only be liable for loss or damage suffered by the Company where such losses arise as a result of negligence, wilful default or fraud of Prodigy Finance.

#### *(e) Concentration Risk*

All of the loans are issued to students and this presents a concentration risk to the Company. However, controls in place by Prodigy Finance Limited as it relates to the vetting and on going monitoring procedures identified above mitigate this risk. The entire loan platform has been designed to minimise defaults and it is expected that default levels will remain low.

#### *(f) Re-investment risk*

The notes will be subject to prepayment risk. Prepayment risk is the risk associated with early unscheduled return on a fixed income security. The timing of principal payments in respect of the notes will depend principally on payments received by the issuer under the student loans and financial guarantee. Investors in notes may bear the risk that, when they receive a principal payment in respect of the notes, they may not be able to reinvest the amount of the principal payment in alternative investments that bear a yield or return equal to or greater than the interest rate on the notes.

#### *(g) Operational risk exposure*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all the Company's operations.

#### 18 Post balance sheet events

Since the balance sheet date, there have been further investments in student loan assets funded by the issue of notes to the value of €5.5 million. There have been no additional post balance sheet events that require disclosure in the financial statements.

## **MBA Community Loans plc**

### **Notes to the annual Financial Statements**

#### **For the year ending 30 June 2012**

#### **19 Ownership of the Company**

Capita Trust Nominee No.1 Limited (the Share Trustee), which is a company incorporated in England and Wales owns 93% of the issued shares and the remaining shares are held by 6 nominee shareholders who hold the shares on the trust for the Share Trustee.

The Board of Directors have considered the issue as to who is the controlling party of the company. It has determined that the day to day activities of the Company rests with the Board.

#### **20 Related party transactions**

One Director of the Company, the corporate secretary, the corporate service provider and the security trustee are either employed by or are provided by companies whose ultimate parent is the Capita plc, a company listed on the London Stock Exchange. These operating companies provide directors, company administration, trustee and secretarial services to the Company, at normal commercial rates

During the year ending 30 June 2012, fees of €7,000 were earned by Capita in respect of corporate secretary administration fees and trustee services. (2011:Nil).

The Loan Servicer, Prodigy Finance Limited provides loan servicing, transfer agent and collection agent services to the Company. Management fees charged by Prodigy Finance Limited totalled €250,344 in the year ending 30 June 2012 (2011: €196,138). Refer to note 6 above. Administration fees - origination fees charged by Prodigy Finance Limited totalled €93,440 in the year ending 30 June 2012 (2011: €85,271).

#### **21 Comparatives**

The comparative figures in the financial statements are for the period from 22 July 2010 to 30 June 2011

#### **22 Approval of financial statements**

The Board of Directors have approved these audited financial statements on 31st October 2012.